

**To the Mayor and Members of the City Council****August 9, 2016**

Page 1 of 2

SUBJECT: COLLECTION PROJECT: LOCAL FEE FOR ALCOHOL BEVERAGE PERMIT/LICENSE**Background**

Over the course of the last few years, the Financial Management Services Department ("FMS") has been systematically reviewing the City's revenue processes and attempting to recover unpaid balances by working to make improvements in communication practices and collections efforts. In addition, the Internal Audit Department recently completed an audit of alcohol beverage permit/license fees and will have an audit report forthcoming to the Mayor and Council.

An area of concern that has been identified by both FMS and Internal Audit relates to the collection of local fees that are owed in connection with state-issued permits and licenses for alcoholic beverage sales. Specifically, several state permittees and licensees have stopped paying the local fee for one or more of their permits/licenses. In addition, a number of state permittees and licensees have never registered with the City and therefore have never paid a local fee. Several of these businesses have amassed a substantial outstanding balance.

Current Efforts to Collect Past Due Revenues

At the beginning of the FMS review process, 229 businesses in the City were identified as not current in their payments for local fees associated with their alcohol beverage licenses/permits. In an effort to ensure these entities become current, but do so in a manner that eases the burden of doing so, staff is offering permittees and licensees with the option of a time-payment arrangement, without interest, for up to one year.

Since our initial review date, delinquencies have been resolved for 150 businesses. Resolutions include payment in full, commencement of a payment plan, and receivable adjustments for businesses that have ceased to operate or filed for bankruptcy (to date, less than ten percent of the total identified unpaid balance has been subject to adjustment/closure). As of July 29, 2016, our records indicate 79 businesses remain in a not current status. FMS will continue to work with these businesses and identify ways in which we can assist them in becoming current.

New Applicants

Although the permittees and licensees are the ones who are ultimately responsible for determining all of the laws that apply to their businesses and ensuring that they comply with those laws, staff has worked to identify areas in which the City can improve its processes and better educate and inform businesses of their obligations regarding these fees.

An initial information/education improvement that FMS is pursuing is getting information added to the City's website so that all potential permits and fees that might apply to businesses involved in the sales or handling of alcohol within the City of Fort Worth can be easily found in a single location.

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Page 2 of 2

SUBJECT: COLLECTION PROJECT: LOCAL FEE FOR ALCOHOL BEVERAGE PERMIT/LICENSE**Improving the Collection Processes**

As noted above, one goal of FMS's ongoing review is improving the City's collections processes. With regard to these local fees, past collection efforts consisted primarily of system-generated notices being sent to permittees/licensees (i) when their renewal date was approaching; (ii) when the renewal date occurred; and (iii) after the renewal date had passed. Given the failure rate of bars and restaurants, particularly in the first couple of years of operation, the limited follow-up might have been attributable to an understandable desire to minimize use of the City's limited resources in pursuing fees owed by entities that may no longer be in business.

Going forward, FMS staff has identified a minimal-cost option that will help staff focus its collection efforts on ongoing businesses by comparing the City's local records to those of the state. At least once per quarter, the Revenue and Collections office of FMS will obtain a listing from the Texas Alcoholic Beverage Commission ("TABC") of all permittees/licensees in the City of Fort Worth and of each entity's permits and licenses. Staff will cross-reference that list to the City's records to ensure that all state-registered entities and permits/licenses are (i) included in the City's records and (ii) current on their local fees. In addition, staff will coordinate with the TABC and ensure that noncompliant entities are reported in a timely fashion since failure to pay local fees is a misdemeanor subject to a fine and also grounds for the TABC to cancel a permit or license.

If you have any questions, please contact Aaron Bovos, Chief Financial Officer, at 817-392-8517.

David Cooke
City Manager